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FM AMEMBASSY ASTANA

TO RUEHC/SECSTATE WASHDC 0012

INFO RUCPCIM/CIMS NTDB WASHDC

RUCPDOC/DEPT OF COMMERCE WASHDC

RUEATRS/DEPT OF TREASURY WASHDC

RUCNCIS/CIS COLLECTIVE 0222

RUEHAK/AMEMBASSY ANKARA 2070

RUEHBUL/AMEMBASSY KABUL 0338

RUEHNE/AMEMBASSY NEW DELHI 0466

RUEHAST/USOFFICE ALMATY

UNCLAS SECTION 01 OF 02 ASTANA 001851

SIPDIS

DEPT FOR SCA/CEN (O'MARA)

DEPT PASS TO OPIC - BALLINGER

DEPT PASS TO TDA FOR STEIN, EXIM FOR GLAZER

DEPT PASS TO AID - EE-PHILLIPS/RUSHING

TREASURY FOR OASIA/VELTRI

USDOC FOR 4231/ITA/MAC/MLONDON, 4201/BISNIS

USDOC FOR 6110/ITA/TD/BI/RHALPERN

ANKARA FOR CFC

SIPDIS

E.O. 12958: N/A

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SUBJECT: KAZAKHSTAN ECONOMIC AND ENERGY UPDATE, JUNE 10 - 23, 2007

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¶1. Summary: This information is drawn primarily from the Kazakhstani local press, and has not been checked for accuracy. The opinions and policies expressed in this report are those of the authors, not the U.S. Government.

-- Samgau's Board of Directors is Formed
-- Kazakhstani Banking Sector Attracts Foreign Capital
-- New First Vice President of KazMunayGas Appointed
-- AES Fined For Antimonopoly Law Violation
-- Chevron Interested in Burgas-Alexandroupolis Project
-- Eurasian Bank to Finance Nuclear Plant Construction
-- Oil & Gas Statistics for January-May 2007

Samgau's Board of Directors is Formed

¶2. Serik Burkitbaev, assistant to President Nazarbayev, was elected chairman of the board of the Samgau holding. The National Holding "Samgau," a joint stock company, was created in April with the stated goal of fostering a favorable environment for achieving scientific and technological progress in Kazakhstan. Vice Minister of Culture and Information Erzhan Babakumarov, Vice Minister of Economy and Budget Planning Viktor Suprun, Vice Minister of Finance Bakhyt Sultanov, and Vice Minister of Education and Science Farkhat Kuanganov were named members of the board. Azamat Abdymomunov, former Vice Minister of Education, was earlier appointed chairman of Samgau's managing board. (Press Service of the Government of the Republic of Kazakhstan, June 17)

Kazakhstani Banking Sector Attracts Foreign Capital

¶3. Alliance Bank, Kazakhstan's leader in retail lending, has announced its plans to hold a global offering of its common shares in the form of Global Depository Receipts (GDRs). The bank's press release states, "this offer is a secondary placement of existing common shares and represents about 20% of the bank's capital. Seimar Alliance Financial Corporation (SAFC) is the holder of these shares." Alliance Bank's GDRs are expected to start trading on the London Stock Exchange in July. (Interfax-Kazakhstan, June 21)

¶4. The European Bank for Reconstruction and Development (EBRD) purchased 25% of shares of KazInvestBank for 2.5 billion tenge (\$20.5 million). Citigroup-affiliated CITI Venture Capital International (CVCI), a leading private equity investor in growth markets, also acquired a stake in the amount of \$20 million. According to Nurlan Kapparov, Chairman of the Board of KazInvestBank, this deal will lead to the highest level of foreign participation in a Kazakhstani bank. (Press Service of KazInvestBank, June 16)

¶5. Bank Austria Creditanstalt, part of the European banking group UniCredit, signed an agreement to purchase a controlling stake in Kazakhstan's Almaty Merchant Financial Bank (ATF Bank). (Note: Head of the General Services Department of the Presidential Administration Bulat Utemuratov and his sons were known to be major shareholders of the ATF Bank, collectively owning about 33% of the common stock. End note.) According to ATF Bank's top managers, UniCredit paid \$2.3 billion in this deal. A UniCredit statement said that, following the transaction, Bank Austria Creditanstalt expects its stake in the registered capital of the ATF Bank to total at least 85%. The UniCredit group will use its own internal resources to finance the purchase, which will be completed in the second half of 2007. (Vienna, Interfax, June 22, Television Channel 31, June 25)

New First Vice President of KazMunayGas Appointed

¶6. Maksat Idenov, 39, has been appointed First Vice President of the national oil and gas company KazMunayGas (KMG). Prior to this appointment, Mr. Idenov served as Shell Vice-President for Strategic and Commercial Development, Middle East, South Asia and Caspian. Previously, Mr. Idenov worked as Assistant to Kazakhstan's Minister of Oil and Gas Industry; Deputy Head of the World Bank's Energy Department, Europe and Central Asia Region; and Presidential Advisor

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on Caspian energy and oil and gas export pipelines. Idenov replaced Zhaksybek Kulekeyev, who was appointed the Chief Executive Officer of the state-owned railroad company Kazakhstan Temir Zholy. (Interfax - Kazakhstan, June 18)

AES Fined For Antimonopoly Law Violation

¶7. On June 15, East Kazakhstan court fined AES, a U.S.-based power generating company, for violations of the antimonopoly law. AES's Shulbinskaya and Ust-Kamenogorskaya hydroelectric power stations have been ordered to pay KZT 2.7 billion (approx. \$22 million) to the Kazakhstani budget. According to Industry and Trade Minister Orazbakov, an Antimonopoly Committee investigation revealed that AES had exploited its vertical monopoly in East Kazakhstan, selling electricity through an affiliated company, to derive monopoly profits. (Interfax - Kazakhstan, June 18)

Chevron Interested in Burgas-Alexandroupolis Project

¶8. Chevron is interested in participating in the Burgas-Alexandroupolis project, together with KazMunayGas (KMG), Chevron's Executive Vice President George Kirkland said at the 17th session of the Foreign Investors' Council in Ust-Kamenogorsk on June ¶15. According to Mr. Kirkland, "We [Chevron] welcome the progress of Burgas-Alexandroupolis project, which will help ease congestion through the Bosphorus Strait. In step with CPC expansion, Chevron is interested in participating in this project together with KMG." (Interfax - Kazakhstan, June 18)

Eurasian Bank to Finance Nuclear Plant Construction

¶9. The Eurasian Bank of Development [jointly established by Kazakhstan and Russia in 2006] is ready to participate in nuclear power plant construction in Kazakhstan, the Bank's President Finogenov said. According to Finogenov, the Bank has signed a

corresponding memorandum with national atomic company KazAtomProm and Russian "Techsnabexport". (Interfax - Kazakhstan, June 19)

Oil & Gas Statistics for January-May 2007

¶10. According to the National Statistics Agency, in January-May Kazakhstan produced 22.9 million tons of crude oil, and 12.4 billion cubic meters of natural gas, up 5.4% and 19.6%, respectively, from the same period in 2006. (Interfax - Kazakhstan June 12)

¶11. In January-April Kazakhstan exported 19.9 million tons of oil and gas condensate (valued at \$7.7 billion), up 15.6% versus 2006. During the same period the republic exported 1.2 million tons of oil products (79% higher compared to the same period last year). Oil products imports came to 0.7 million (up 20.3%). Imports of natural gas reached 2.6 billion cubic meters (up 68.8%). Kazakhstan exported 4.4 billion cubic meters of natural gas in the reporting period (up 90.1%). (Interfax - Kazakhstan, June 12)

MILAS